

IRS News Release

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Treasury, IRS Issue Proposed Regulations for Cash Balance and Other Hybrid Pension Plans

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WASHINGTON — The Treasury Department and Internal Revenue Service (IRS) issued proposed regulations relating to cash balance plans and other hybrid pension plans.

The proposed regulations would interpret rules that were added to the tax law by the Pension Protection Act of 2006 (PPA), including an age discrimination safe harbor for hybrid pension plans, conversion protection for employees, and a 3-year minimum vesting requirement. The proposed regulations would also apply for purposes of the parallel rules that were added by PPA to the Employee Retirement Income Security Act of 1974 (ERISA).

The regulations are generally proposed to be effective for plan years beginning on and after Jan. 1, 2009. For periods before the effective date of these regulations, a plan must comply with the new PPA statutory provisions. During these periods, a plan is permitted to rely on the regulations for purposes of satisfying the new PPA statutory provisions.

A copy of the proposed regulations is attached.